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FABIAN RESEARCH

Quarterly Report

HOME POLICY

We have started two new research projects since the last Quarterly Report was written. The more topical of these is an investigation of *Coal Distribution*. Although a good deal has been published on the production of coal, little notice has been taken of its distribution, the defects in which are now blatantly apparent. We hope to publish this material shortly.

Secondly we are investigating *the effect of war-time strains on local democratic government*; members willing to collect basic material should write to the Research Secretary. It seems that many councillors on war work cannot attend Council meetings; and transport difficulties hinder others. Local Government machinery has had to function in spite of some influx of less experienced councillors and in spite of a larger turnover of Council staffs. Meanwhile new services have had to be initiated and decisions taken quickly; it is not surprising if in some places authority has become vested in a few Councillors only. Externally, local Councils have had to cooperate with Regional staffs and to develop new financial relationships with Whitehall. All these developments are not only important in themselves; they have implications for post-war reconstruction.

Thanks to the courtesy of the New Zealand House staff a member has studied the available material on the *New Zealand Social Security Act* and has supplied articles to Trade Union and similar journals. The Act represents entirely new thinking on the Social Services and should be widely discussed, even though it is not an exact model for this country. A Fabian pamphlet on the scheme is being written in New Zealand and will be published as soon as possible. But the mails are very slow.

The *Social Security* book is now advancing rapidly. Part I, a description of our existing Social Services, is almost complete, and Part II, a plan for reconstruction, is now under discussion: an abbreviated version of Part II will go before the Beveridge Committee. A book on the *Control of Industry* is still in its infancy, but its form is settled and contributors getting to work. It should be a valuable contemporary document bearing on the nation's future economic policy.

COLONIAL BUREAU

The Bureau's research work continues very successfully. A comprehensive survey of the cooperative movement in the Colonies has now been completed by the International Cooperative Alliance, and the Bureau has been fortunate in having the collaboration of Mr C. F. Strickland, well known for his work on cooperation, in providing a preface to this Survey, to guide the cooperative committee in its further lines of inquiry. A Constitutional Committee has also been set up and has met a number of times. It has produced a draft study of the machinery of the Colonial Office and the Colonial Services, and will next consider the question of colonial constitutions. One outstanding piece of individual research being undertaken on behalf of the Bureau is a study of the development of colonial areas in the U S S R. Two or three sample areas are being investigated, where physical and other conditions bear some resemblance to conditions in some of the British Colonies.

The Parliamentary and press side of the Bureau's work continues satisfactorily. An endless stream of newspapers, documents and reports now comes in from the Colonies, and is in great demand, as being quite a unique source of information on colonial affairs. A valuable collection of press cuttings is taking shape, and this provides an excellent foundation for the Bureau's day to day work.

INTERNATIONAL BUREAU

In the space of less than three months, the Bureau has attracted a membership of nearly two hundred and an Inaugural Meeting was held in January at which Philip Noel-Baker delivered his address as Chairman of the Bureau to a large audience which included representatives from twelve countries.

The work of the Research Groups is continuing on steady lines. A pamphlet, *Help Germany to Revolt*, has already been published, and a popular pamphlet on Russia is being printed.

The first Conference arranged by the Bureau under the title of *After the Nazis* was held in March and was a real contribution towards planning for the future. Not only was the economic future of Germany considered and the contribution she must make towards a peaceful Europe, but the wider political implications of the present rising tide of anti-German feeling were emphasised, together with the danger they represent to International Socialism.

The Bureau has also decided to draft a series of Speakers' Notes which it is hoped will be useful in helping to secure a reasoned and objective view of international affairs. The first sets will deal with U S S R, Germany and America and will be available shortly.

WAR PRODUCTION

The Experiences of a Managing Director

Major A. H. Brockhurst

My experiences as a managing director of a firm engaged exclusively on Government War Contracts have been both disturbing and disheartening. They have convinced me of the imperative need for complete State control of all war industries and of all civilian services essential to the efficient and expeditious provision of war supplies. I am not concerned with the purely political aspects of nationalisation. My conviction in the pressing need for its immediate application to war industries is based solely on the difficulties, delays and obstructions which have constantly impeded my efforts to produce an uninterrupted maximum output from my works. These obstacles have been mainly, if not wholly, traceable to the Government's negative policy of interfering as little as possible with established business interests and normal business procedure.

I am not suggesting that private firms are not on the whole conducted efficiently or with earnest and patriotic purpose, but my experience has convinced me that only under nationalisation and with consequent release from the financial uncertainties and insecurities of the profit-making gamble, can the war effort receive the full, keen and undivided energies of industrial directors. It is true that much of the chaotic muddle of the early months of the war is being gradually straightened out in the slow course of our empirical and unimaginative processes, but my wartime work has shown me the impracticability of getting our greatest possible output at the greatest possible rate while private profits and individual interests remain the controlling factors of our planning.

PRIVATE INTEREST FIRST

As a director I am under the constant necessity of considering what I can get out of the Government rather than what I can give to the Government. This is not unpatriotic, it is economic necessity, since the State ceases to be interested in me so soon as I fail to squeeze sufficient out of the public purse to meet my

immediate needs. I am constrained by the very nature of the profit-making principle to give most of my time and energy to self-interest. To make a livelihood I must make a profit, and as the nation offers me no economic security in case of failure, I must try to make a good profit and to accumulate sufficient to meet both probable and improbable business contingencies and probable and improbable personal misfortunes. Profits must supply not only the minimum needs of the moment but must provide for my declining years and for illness and disability. As the number of my declining years are indeterminable, provision for those years must be on a liberal scale. Without any State guarantee for the economic security of the firm's employees, myself and my dependants, and without any certainty of continued useful employment, I am compelled to make private interest a first consideration, and to give national interest a secondary place, where the two interests conflict. My experience has shown that these two interests are rarely completely identical.

PROFIT BEFORE PRODUCTION

A managing director is under the constant necessity of keeping a more wakeful eye on profit than on production. He is bound to approach production problems from the point of view of personal gain in cash or goodwill. He must regard as legitimate all the practices of a competitive trading system. He has to follow all sorts of narrow and sectional interests which tend to impede war production and which are inherently opposed to the conception of complete industrial cooperation in the fulfilment of a great national purpose. In the scramble for the best contracts, acquiring ammunition at the expense of your friends becomes as important a process as directing it to the destruction of the enemy. A Director must give more consideration to the extent and value of an order than to its special suitability to the capacities, appliances and technical proficiencies of his firm. Getting orders and getting good orders requires as much time and attention as executing them well and speedily. Managing directors are not necessarily the most competent and conscientious experts at the job of managing; they are quite usually the most aggressive, plausible and pushful experts at the job of looking after themselves.

Further, many managing directors occupy their place in industry by virtue mainly of the financial interest they hold in the business over which they exercise control. I wonder how much talent for business organisation is lost to the State because the possessor of the talent has no capital to dispose of. Can any country engaged in a desperate struggle for existence afford to be so

prodigal of its human resources or to make such careful provision in the economics of its war production for the type of man who prefers making something out of somebody to making something for somebody?

LABOUR COSTS

Concrete examples of the waste of time and energy inherent in a profit-making competitive system are repeated daily in my own business and it is not difficult to appreciate how, in their accumulative effect, our national output is seriously and needlessly hampered. Among examples of waste I will put labour time first. Firms, particularly the smaller firms, cannot always take advantage of the general willingness of employees to work overtime and on Sundays, because contracts obtained in competition cannot always bear the increased wage rates. Many willing hours of labour are lost in this way. Main contractors are not easily persuaded to accept a supplementary charge to meet overtime rates. Government Departments will sometimes consider an additional claim above the contracted prices to cover the cost of any exceptional amount of overtime, but small firms cannot afford to gamble on the problematical generosity of the Department concerned. Further, this question of keeping labour costs within the sum for which the contract provides, places a constant restriction on the measures which managers can take to speed up delivery. It is of course necessary that the most efficient and highly paid technicians should not be employed on a contract which offers a doubtful margin of profit no matter the degree of urgency attached to its completion. Overtime must be restricted as far as possible to 'cost plus' contracts, no matter how disturbing this may be to the works' organisation and in spite of the time which may be lost in the change-over.

As far as competition will permit, quoted prices allow for common mishaps such as breakages and breakdowns, and if fortune favours a particular contract and none of these mishaps occur, the final profit figure may show that extra labour costs could have been borne. However, until the completion of a contract all this is distinctly problematical and any extra production cost involves a risk which no firm intent on its financial stability can undertake. As competition is generally keen it must often happen that the normal margin of profit provided for is dangerously reduced before a contract is completed. To the small firm with comparatively few contracts this is a vital matter and, as a result, managers spend anxious hours trying to do a job cheaply, instead of busy hours trying to do it speedily.

SKILLED LABOUR

The necessity for retaining at all cost the best and most skilful labour is another impeding factor in production. If the immediate occasion provides no suitable work for a valuable employee, or no work which he can perform economically, he must be kept temporarily idle. He must not be lost to a competitor. This sectional interest means the loss of many working hours.

This competition between rival firms for the services of the best labour leads to the application of bonus payments and special grants to employees in excess of agreed national rates. Actual labour costs are very generally above the agreed standards and this extra cost is ultimately borne by the Exchequer. Either the Supply Ministries pay more or the Exchequer receives less E P T.

The Government has established machinery for moving redundant workers to other firms, but this machinery is entirely ineffective in the case of skilled labour, as no employer can be induced to admit that any labour he wishes to retain is not urgently necessary to him and is at the moment redundant. Anyway the power to move technicians is a lop-sided arrangement which should be extended to include managers to make it really workable and effective.

TRAINEES AND WOMEN

There is another aspect of the labour problem which is having a definitely adverse effect on our total production. Industrialists are being urged to make the utmost use of women, of semi-skilled labour and of trainees in order to remedy the shortage of skilled labour. Trainees can learn to be helpful, there are many operations even in the more skilled trades in which women can assist, and semi-skilled labour can be used with advantage on jobs which do not consistently require the skill of the highly trained man. But all this is costly. Trainees require the expenditure of time, labour and material before they can be productive. Much the same applies to the employment of women, especially those entirely unaccustomed to factory life and work. Semi-skilled labour may make costly mistakes and is often more unreliable than profitable. One of the firms with which I am associated is engaged on a highly skilled process employing a comparatively small number of men. The firm has capacity for training several young operatives but can only 'afford' to train one. There were tasks which could be performed by suitable women after training and the firm engaged six women, but at the end of six months only one justified the time and money spent from the standpoint of profitable production and it was decided that the experiment was too costly. Every effort was made to up-grade unskilled labour. This was not entirely

unsuccessful, but its success was not proportionate to its cost in time and material. Unskilled labour spoilt a disproportionate amount of material and its consistent employment was difficult since it had to wait for jobs requiring the minimum amount of skill or for jobs not unduly urgent.

All these expedients for augmenting skilled labour are excellent in theory but they cannot be undertaken in any considerable measure or on any satisfactory scale by private firms. The initial costs are too great and the final results are too problematical and uncertain for accelerated labour training to be lightly undertaken by the prudent director with a balance sheet to produce and vital profits to secure.

Labour provides still another source of constant friction between the State and individual enterprise. Hundreds of small businesses all over the country engaged in trade and services of no value to the war effort have been forced to take all legal measures available to retain as many of their employees as possible in order to keep their business alive so that at the end of the war their livelihood will be assured. All this because their ungracious country does not give them a guarantee of useful employment and an assured livelihood.

Another serious obstruction to full and speedy war production lies in the acquisition of new plant and in factory extensions to meet the increasing requirements of the war. A small firm hesitates to spend money on new equipment which may be redundant at the end of the war. This is a constant and real source of delay in production, and one which seriously slows down the rate of increase in war supplies.

OVER-CENTRALISATION

Over-centralisation is a further handicap to production. There is an obstructive chain of officialdom between the manufacturers producing the components or equipment and the fighting service needing them. Everything is centralised at the headquarters of the supply ministries and when technical questions arise, as they do continually, it is difficult to get them speedily settled. Officials are conscientious and anxious to be helpful but they have usually little technical knowledge of the operations involved in producing the supplies with which they deal. This centralisation produces a delaying congestion in ministerial offices and is a great source of irritation to the producer.

The Ministry of Supply and the Supply Departments of the Services have established joint Regional Boards to deal with area supply problems, but these Boards have no executive authority and

their work offers no practical contribution to the solutions of the major difficulties of war production. Their most valuable stock-in trade consists of good will and good intentions supported by a mass of tabulated facts which their industrious officials have collected regarding the production capacity of their areas. These Boards are useful as Exchange Marts for second-hand tools and machines and they can often supply useful information to Contractors, but in the absence of any executive power, they make no serious contribution to the organised planning of war production.

COALS TO NEWCASTLE

Another way in which private interests impede the rate of national production is concerned with time and cost in transport. Raw materials are controlled by the Government but not taken over and their sale and distribution is still left in private hands. This means that a contracting firm having obtained a licence to purchase materials must, in its own interest, secure the materials from the merchant offering the best credit terms or most attractive discounts, or at least from the merchant with whom the firm has been accustomed to deal and whose goodwill it is desirable to retain. The merchant in question may be doing business at the other end of the country and an unnecessary amount of valuable time and labour in transport may be taken up. A contractor in London may obtain his raw material from Birmingham, and likewise a Birmingham contractor may get the same material from London. It sounds Gilbertian, but it is, unfortunately, the common practice, and it is not a practice which is helpful to the total war effort.

I can give another typical instance of waste of time and transport. Just outside my works a Railway Company is building an embankment. A haulage contractor brings ashes and other ballast for use in connection with this work. My firm has to dispose of tons of similar ballast from its furnaces by employing another haulage contractor to cart it to a tip some miles away. It cannot be carted the few yards between my works and the new embankment because this would be robbing the contractor to the Railway Company of his work, and incidentally of some of his profit. Yet petrol and time, we are told, are both precious.

The Government has fixed a controlled or basic price for essential raw materials, but this price is, in most cases, at a level which gives the non-productive merchant a very comfortable margin of profit for his services while relieving him of his pre-war risks. This is an unnecessary contribution by the State to private interest and one which could have been avoided if the State had taken over all raw materials used in the production of war supplies.

and stored them in convenient local centres for distribution to the manufacturer as contracts were allotted.

QUOTATIONS AND INSPECTORS

Another source of much wasted time is the system of quoting to the Supply Ministries or to the main contractors. Many hours of precious managerial time are spent grappling with blue-prints and specifications in an endeavour to submit a competitive quotation. As a manager works on these quotations he knows that some hundreds of other managers are working out the same mathematical problems and spending in the aggregate a prodigal number of unproductive hours on activities many times duplicated. All this labour would be totally unnecessary under complete State control and the time involved could be spent much more profitably in the legitimate managerial work of speeding up production and obtaining output results.

It is in the interest of a contractor to obtain all the orders he can, even when an order has to be totally or mainly sub-contracted. It is not a question solely of making the best use of his own facilities in furtherance of a common purpose, he must get as much profit as he can from making use of other people's facilities. As the contractor must add his percentage of profit to the sub-contractor's price the process cannot be termed economical for the State Exchequer.

There is a further danger in the competitive system of quotations. When competition is keen a contractor naturally tends to quote a dangerously low figure in the hope that in the process of manufacture he may be able to secure a reasonable margin of profit although it may be filched at the expense of quality of workmanship. To counteract this tendency an army of Government inspectors, reams of official forms and innumerable standard tests have to be employed. Government inspectors usually have general but not particular knowledge of the work inspected, and standard tests are usually so very standardised that their application to particular cases becomes an absurdity. This leads either to friction, or, perhaps more often, to drinks all round and the application of a blind eye to the matter involved. This process, however, does not make the interest of the private firm and the interest of the State any more nearly identical.

SUB-CONTRACTS

A main contracting firm very naturally places sub-contracts with its own associated or subsidiary undertakings, irrespective of transport distances, volume of work in hand, suitability and

availability of machines and other factors. Where there are no financial interests involved, the contracting firm must give preference in allotting sub-contracts to its pre-war business associates in order to retain post-war goodwill and to stimulate its private business connections. This process also disregards economy of transport and may, and often does involve avoidable delays in production.

The competitive scramble to get as big a slice as possible of the most profitable orders and to obtain business contacts with as many main contractors as possible tends to multiply unnecessarily the number of individual firms contributing to the production of a specific war essential. For instance, a foundry equipped for the mass production of standard castings of a certain weight and in a certain metal finds its war activities applied to the production of many different types and patterns in varying metals. This is a serious handicap to speedy production. Valuable time is lost in constant 'change overs' from one pattern to another and from one metal to another. There is an unnecessary duplication of 'patterns'; many pattern makers are employed to make identical patterns for many different firms. Further unnecessary waste of metal is incurred by utilising the same furnaces for smelting different metals requiring different temperatures and different treatments. Likewise the output of many engineering firms could be increased if labour and machines could be utilised for the mass production of one article or one type of article. Labour would become more expert and speedy, machines would need fewer adjustments, supervision and work organisation would be simplified and output increased.

This wasteful complexity, this intricate overlapping of innumerable small and independent firms is the outcome of the haphazard way of using firms capable of producing war essentials and is the direct result of the absence of any general plan based on national control.

Another unhappy result of allowing numerous independent firms to seek their own war orders from varied sources in any and all parts of the country, is the loss of time which it involves. A small firm may be kicking its heels one week with idle labour to pay and idle machines to mind. A sub-contracting firm may be fortunate one week in making its capacity known to a large contracting firm just at a time when that particular contracting firm is needing that particular capacity. The result is a week of crowded hours and intense activity, but in the following week the same capacity may be only partly utilised and skilled labour may be temporarily idle. An appeal to the appropriate supply Ministry is useless, since it is the policy of all the ministries and war services to interfere as little as possible with normal business procedure.

In one case a small foundry which had been working at high pressure for twelve months found that its orders in hand were getting low and that much of its capacity would be idle if steps were not taken to secure further orders. An appeal was made to the appropriate Government Department and the department concerned replied that 'they do not interfere between Casting Consumer (i.e., the big contractor) and foundries unless aircraft production is threatened through lack of supplies'. This means that the Government is indifferent to the haphazard production of supplies and are not prepared to take any planning action until supplies run short. There is no attempt to use capacity which may be temporarily surplus for the production of reserves of stock.

Further, the fact that a particular contractor does not want a particular product at a particular moment is no indication that it is not needed in some other part of the country by some other contractor. It is left to the small firm to discover where the demand lies by chance or fortune. The Government must interfere as little as possible since interference might be interpreted as giving official support to a private enterprise.

NO SATISFACTORY COMPROMISE

The Government, cannot, in justice, interfere with the control of business firms, or make authoritative demands on their output, while leaving them individually responsible for the financial commitments arising out of such demands and interferences. There are only two clear and consistent policies. One is to leave everything to the free and voluntary effort of the individual firm and the other is to conscript industry and to make all industrial units part of a great consolidated industrial war front. There is no satisfactory way of effecting a compromise between these two directly opposite policies. Any attempt at compromise can lead only to a policy which is feeble and fumbling, full of hurried expedients and temporisations, and which is wasteful of effort and generally messy and muddled.

Total industrial conscription of both masters and men is the only rational and practical solution of the difficulties, dangers and delays which dog war production through its dependence on private enterprise. Further, it is the only way of securing the greatest possible volume of war supplies and at the greatest possible rate. Total war cannot be waged by half-measures and accommodations. Industrial conscription should not require the enlistment of another army of Civil Servants. The present industrial leaders could tackle the situation without any official interference and without any intermediaries between the fighting and defence

services and themselves. The essential difference would be that the industrial leaders and the whole industrial army would be employed by the State and would be paid at rates determined by a national scale, like officers and men of the army. The leaders would surrender all present and future interest in profits. Paid-up share holdings, industrial loans and debentures would become loans to the State on which interest would be paid at the current war-loan rate. Non-active directors, sleeping partners and other business parasites would be dispensed with.

Small undertakings would lose their individual identities and become an integral part of the large undertakings making the completed aeroplane, tank, etc. This would eliminate the wasteful anomaly of the present practices under which, say, a small engineering firm may be making parts of an aeroplane one week, parts of a tank the next, and in fact anything they can secure an order for, from buttons to guns.

State security for the individual would have to be applied as a complementary measure to industrial conscription. By State security I mean a State guarantee of work at normal rates of pay. By taking away from the commercial man or industrial technician his gambling chance of making big money the State must compensate him by offering security of employment. Few men need more for happiness than congenial employment and a guaranteed livelihood. The struggle for wealth arises much more often from the fear of poverty than from avaricious impulses.

If all industrial concerns, or at least, all those producing arms, munitions and other war supplies, were taken over by the State and industrial leaders and technical experts become State servants, directly responsible to the Government, there would be less need for the present huge army of State officials who now exercise control without practical knowledge of business or technical knowledge of the processes involved in the production of the munitions they control. It is difficult to conceive how the most economic organisation, the most speedy service and the best results can be obtained from industrialists and technicians who are compelled by the economic policy of the country to serve themselves when they try to serve their country.

I am not concerned with the moral aspects of making profit out of war. I do not pretend to be an authority on its alleged wickedness, but I do know that it is distinctly foolish. We are fighting on our industrial front with an army divided against itself because it is recruited from independent and opposing elements. Our fight will not be wholehearted, nor our resources fully used, until cooperation replaces competition, and service replaces profit.

THE COST OF THE WAR AND RECONSTRUCTION

‘Midex’

‘There are two attitudes of mind frequently met with in general conversation about the cost of the war and its effect on post-war reconstruction. One section of the community says that the fact that we are able to spend so much on the war shows that we can spend on a similar scale for post-war reconstruction. The complementary view is that our principal peace-time pre-occupation will be repaying the debts now being incurred.

These remarks indicate a tendency to think of the cost of the war and the economic resources of the State in terms of the Budget figures. But it is more realistic, under present arrangements, to consider the Budget primarily as a Revenue Account recording the financial operations relating to those parts of the nation’s income and assets which are collected and redistributed by the State. There is a great increase in the Government expenditure because the State has found it necessary to rope in and assume control—partly direct and partly indirect—over a large proportion of the nation’s productive resources in order to ensure its effective deployment in the war effort. The money spent does not measure the cost of the war, nor does the excess of expenditure over revenue, and consequent increase in the National Debt, denote the extent of capital over-drawing. The money expenditure of the State could rise without implying an increase in expenditure of actual productive resources on the war. Such a result would naturally follow from a rise in prices—in which case a given volume of war production turnover would be reflected by a higher cash turnover and higher Budget figures. Similarly Budget expenditure would rise if any activities now carried on by private enterprise were for some reason transferred to a Government Department.

LOSS OF EARNING POWER AND ASSETS

The loss of real earning power and assets ought first to be considered apart from the financial consequences. These losses can be conveniently mentioned under two heads—internal and

external. Under the former head there is, first, the loss or wastage of peace-worthy capital assets caused by failure to provide adequately for obsolescence and depreciation, by bombing, and by adaptation of productive capacity to warlike purposes. A compensating factor is the creation of large capacity for warlike production, a good deal of which will be adaptable, or re-adaptable, to peace-time requirements. Secondly, there is a great decrease in stocks of food, materials and manufactures, offset to some extent by the stocks built up by the State. Thirdly, there is the loss of productive ability due to casualties, atrophy of skill and experience of people employed on soldiering and other specific war-like tasks, and the non-preparation of new recruits for commerce. Compensating factors are vocational training both of men in the services and of war workers, and a most valuable experience of economic administration. Considering changes in the internal situation alone, and if all other factors were equal, it would be necessary for some time ahead to devote an extra amount of economic effort to making good all this wastage of assets.

Under the external heading, the decline in our foreign investments of all kinds through (a) sales abroad to provide foreign currency for war purchases, (b) repatriation of securities (e.g. by South Africa, India and Canada), and (c) substantial loss or deterioration of investments in enemy and enemy-occupied countries, looks like costing us a large part of the £200 millions per annum we used to receive as revenue from these holdings. In addition, direct investments overseas are deteriorating. It is perhaps premissible to assume, in view of the course of inter-allied financing policy, that we shall not find ourselves forced into net external financial indebtedness as a result of our heavy imports of war supplies, but we may have to borrow abroad for the purpose of post-war reconstruction. As regards our other invisible income, there is no reason why shipping should not be a useful contributor and its yield might be unexpectedly large. Receipts from other services, however, are likely to be lower. The sources of a large part of our invisible exports are therefore being damaged or lost while claims for capital reinstatement of directly owned investments are accumulating.

In addition the prospects of the export trade are being damaged. Goodwill built up over a period of a hundred and fifty years is disappearing because of the need for limiting exports to those required for essential purposes by the Dominions and the Allies. Another outstanding factor is the probability of an important adverse change in the terms of trade—the relative values of commodities and manufactured goods. The insatiable demand for machine tools by almost every country in

the world points to industrialisation at an unprecedented rate and portends a stampede by all the countries in the war to adapt their industrial capacity to the production of just the kinds of manufactured goods which used to constitute our main export range.

Further, there will be a vast restocking demand for raw materials to make good the deficiencies which are being accumulated by belligerent and non-belligerent alike. It seems clear that in a world suffering from impoverishment the balance of competitive advantage will be heavily in favour of the food and raw materials producers, whose aggregate capacity is being on the whole curtailed by such factors as inadequate replenishment of the soil and development. An exceptional boom in commodities will bring in its train a great demand for manufactures, but our relative position either during or after the tidal movements of the post-war period can hardly be maintained at its pre-war level.

These factors in the economic cost of the war suggest that we shall be faced with the following situation. Our specialised productive capacity will have suffered, except in categories in which there is almost universal expansion; need for capital reinvestment of our assets at home and abroad will be heavy; invisible exports will be low; the quantity of manufactures needed to command a given quantity of commodities will be high. We shall also be under an obligation to contribute to the rehabilitation of Europe—a duty which has assumed a rather sterner aspect since the course of hostilities solved the surpluses problem.

POST-WAR IMPORTS

How shall we pay for what we shall need from abroad for consumption and capital investment? Our net 1938 imports of food, drink and raw materials were of the order of £550 millions, of which the greater part was consumed at home. The need for these would not be cancelled merely because export demand declined. In addition, we imported some £350 millions of manufactured goods, including a proportion essential for incorporation in higher manufactures for home consumption or export. Post-war reconstruction involving the investment of so much fixed and floating capital will make immense demands for imports. There is hardly any doubt that the demand will exceed the resources we shall be able to muster unless we borrow from abroad and distribute what we do receive with the utmost care.

All this has a bearing on the purely financial problem. During war-time the various arrangements such as 'Warships Weeks' and 'Deferred Savings' steer a large part of the net money income of the community into the coffers of the State for investment in

the war machine. In addition there is a lot of State expenditure quite uncovered by any form of revenue or savings. Without attempting to follow the contending arguments of the experts as to what does and what does not constitute inflation, it is common ground that the bridging of the Budget deficits is involving a progressive increase in paper claims to wealth not represented by peace-worthy assets which, in fact, are being heavily drawn on to meet the economic cost of the war. The extent of this surplus of paper claims can be considered as purchasing power which may be spent as soon as the present sanctions against spending—legal, economic and moral—are weakened. Were this to happen too soon it would lead to a serious inflationary rise of prices.

THE NEED TO RETAIN CONTROL

The problem presented by this process has been given great publicity in order to secure the cooperation of the public in adjusting their habits of spending and lending. After the war it will become more complex and more difficult to handle. Even if reconstruction expenditure by the State does not lead to a further building up of excess paper claims, there will be the greatest incentives from all sides for people to use their savings to buy consumption goods. Many influences will be at work to release the latent purchasing power created during the war. The release of the psychological restraints on the internal financial organism will create all sorts of import demands at a time when it will be necessary to confine foreign purchases of food and consumption goods to the minimum, and imports of materials and manufactures to those which tie in with a pre-elected consumption, export or capital investment need. This analysis of the prospective foreign exchange and the domestic financial situations does not support the widespread expectation that the end of the war will open the way for a progressive relaxation of wartime controls on finance and trade. On the contrary, it seems likely that both will call at some points for even tighter and more elaborate management. Whoever may have to lay down public policy at the time, whether he be planner or free trader, will find it necessary to continue the main wartime controls and extend and adapt them for peace time. The difficulty will be to know how to use them. Whereas we can now get a long way towards deciding the merits of any demand that arises for money or materials by asking whether it serves a definite war need and, if it does, roughly what sort of priority it should be given to fit into the whole programme of war production, we shall have no such simple and generally understandable criterion after the war. The absence of such a hallmark means that the question of priorities must dominate post-war economic and

financial and political discussions. It remains to be seen whether a democracy will be able to realise and act upon the fact that the future will depend upon the proportion of available resources devoted to building up capital assets at home and abroad as against that spent on current living in the immediate post-war period.

In peace, as in war, the Budgetary aspect of what can be done becomes of secondary importance. Provided the operations are to take place in a closed economy—one in which all the trade and financial links with the outside world are under conscious control and direction—money becomes mainly an agency by which the central authority influences what the community does with its income. No doubt some of those who are inclined to argue that the huge sums we are now spending must mean post-war impoverishment, think that the domestic money situation will again, as in the past, govern our commercial relations with the outside world, implying a long period of deflation and unemployment while the excess credit creation arising out of war finance is squeezed out and the labour released from war production is redistributed. Even in a closed economy there will be some awkward legacies to deal with. But the application of corrective forces will be a matter for conscious decision and effective enforcement inside the political unit.

In general the technique of wartime financial control will be applicable to the reconstruction period. The major aims will still be to maximise savings, to steer them into directions where they can be used to conform with a defined policy, and to regulate all transactions resulting in purchases or sales of foreign exchange. As regards the latter, the existing apparatus is completely effective in practice. But it will probably be necessary to create some State-sponsored lending machinery, perhaps on the lines of the U S Reconstruction Finance Corporation, because the actual and prospective decisions of the central planning authority (which will no doubt derive from the war economic planning apparatus) will make it impossible for the owner of savings to judge what constitutes a sound investment whether in plant or securities. It will not be clear for a long time how industries and companies will rank in such matters as raw material allocations, and policy will have to be very flexible to adjust the relationships between industries and to clear bottlenecks and close surpluses. The Capital Issues Committee will presumably continue, but its function will still be the negative one of preventing access to the market of borrowers whose aims do not accord with the general economic plan. The lending policy of the banks can never be entirely effectively controlled, not because of any lack of willingness to cooperate, but simply because a considerable proportion

of necessary bank financing could not be examined in relation to any general criterion. The main fund for investment is the resources of companies, made up of uninvested capital, undistributed profit and depreciation allocations. To restrict the employment of such funds it would be necessary to rely mainly on direct control of the materials and equipment required for physical investment, probably with retention of wartime measures designed to restrict directly or indirectly the amount distributable by way of dividends. Selective relief from such measures would have to be granted where actual investments were judged desirable.

POLITICAL AND ECONOMIC MAN

It may be objected that it is an unwarrantable assumption that there will be a closed economy in view of the economic aspirations expressed in the Atlantic Charter and the more recent Anglo-American Mutual Aid Agreement. The possibilities of soothing the more violent convulsions of post-war adjustment by concerted international action are great and real, but it is not easy to see how such action can do more, given the probable political milieu. Some of the discussions about the arrangement of world economy after the war seem to assume that everything will be settled by some super-national authority, basing its decisions on broad considerations of world interest and with power to enforce them on the nations. It is only necessary to bear in mind such factors as the probability of a general election within a short time after the cessation of major hostilities in Europe and that the next Presidential campaign in America will commence in 1943, to realise how unreal that conception is. The clamour of divergent opinions and interests—not excluding those which are only divergent on a short view—will inevitably hamper the acceptance and still more the implementation over a long period of any grand-scale international policy. Unless the democracies can formulate a common economic conception, their very victory will make it impossible to persuade the individual nations to exercise their influence in a common direction. This applies equally to the idea of a centrally directed international economic scheme as to the hope held by some of a restoration of international exchange on classical lines. It seems most likely, indeed, that world economic organisation will be shaped piecemeal, painfully, by trial and error, each political unit working out its internal organisation, and building up economic links with others as opportunity offers. It is not a method which will create the maximum economic wealth, but the loss may be compensated by political and social gains. Political Man holds the ultimate controls, and he is more interested in the pursuit of security than Economic Man.

CHEAP FOOD AFTER THE WAR

Charles Smith

There has been widespread approval of the decision of the Wages Board to increase the minimum wage. The cost of this may well amount to something of the order of £15 millions to £20 millions a year. This money has to come from the consumer or the Exchequer, which means that it has to be paid, directly or indirectly, by every individual in the country.

This is the immediate issue, but what I am particularly concerned with is the post-war agricultural position. It is no use leading the agricultural labourer up the garden path by letting him think he can have £3 a week during the war and then revert perhaps to 45/- or unemployment. I welcome most heartily what was said by the two members to whom I have referred [two Labour M P's] because hon. members opposite are representatives of great trade unions and of industrial workers, workers who hitherto, for generations, have believed in the cry of cheap food. It was the cry of cheap food which depressed agricultural wages and kept them depressed. Cheap food, on the importation of which that cry was based, meant sweated labour and, above all, sweated land in the primary producing countries overseas, and it was, incidentally, also responsible, as I found, when I was Secretary for the Department of Overseas Trade, for much of the curtailment of our export trade and much of the consequent unemployment. If after the war we look forward to a revival of international exchange and are to depend for the employment of large numbers of people on the revival of the export trade, our greatest interest must be to see that the great consuming countries who buy our goods are prosperous, and they are primarily agricultural countries. They can be prosperous only if we are to pay them a decent price for the food they send us to enable them not only to cultivate their land but also to maintain it in a proper state of fertility

R. S. Hudson, Minister of Agriculture, in the House of Commons 19 November 1941.

I hope that the industrial population of this country will not have been alarmed a few days ago by headlines which shouted out 'Death knell of cheap food policy', 'Cheap food days will never return'. All I can say is that if they never do return, then neither

will your export trade. This country can never afford to pay more than its competitors for imported food and raw materials.

Harcourt Johnstone, Secretary for Overseas Trade, speaking at Bristol, 22 November 1941.

Scarcely any cry in English politics has been so effective for so long as that of cheap food. For nearly a century past it would have been tantamount to political suicide for a government spokesman to declare that the days of cheap food were at an end. It was only because he was introducing a universally popular measure—the £3 minimum for agricultural workers—that Mr. Hudson was able to make this blunt statement. And in a digression he suggested a second argument for dearer food—the need to give a larger income to the food producing countries so that in time they could buy manufactured goods from Britain in larger quantities.

When the war is over the consumers in this country will certainly allow a larger return to the actual producers of foodstuffs—if not of choice then of necessity. British agricultural workers will not and should not go back to 1939 wages, while it is to be expected that a larger return will be insisted upon for the tropical products such as fruit, cocoa, tea and sugar, as a result of the growth of trade unions and the organisation of small producers in the colonial areas from which these goods come.

The Secretary of the Department for Overseas Trade in a speech called forth by that of the Minister of Agriculture gave a reminder that low costs are as essential to the export trade as brisk demand. Take these two speeches together and there seems no way of reconciling them except by anticipating a post-war period when the people of Britain (of whom about half had an inadequate standard of living before the war) have to pay more for their food, but receive wages which are no higher than before. The Labour Movement thus appears to be presented with a dilemma; for it can no more consent to a reduction in the standard of living of the industrial workers that it can desire that standard maintained at the expense of British agricultural workers or of food producers overseas.

Such discussion of the question as has so far taken place has been confined to the way in which the British agricultural worker is to be assured his £3 minimum. Nobody in his senses supposes that British farmers could have paid such wages before the war with agricultural conditions as they then were; and in the debate on the subject no member of Parliament seriously challenged the Minister's statement that 'we shall now have the problem of adjusting agricultural returns to cover the increased cost of production'.

THE COST OF DISTRIBUTION

A permanent policy of expanded food production would increase the productivity of labour and so enable farmers to thrive while paying a better wage to their workers. But this is not the whole solution to the problem; it is not indeed one half of the solution. As Mr Hudson has said,

... before the war we paid our farmers about £250 millions for their produce and paid about £400 millions for the food brought from overseas. This was a total of £650 millions. *Yet the consumer paid for that same food no less than £1,500 millions.* (Reported in the *Manchester Guardian*, 6th December 1941.)

The Select Committee on National Expenditure in its Fourth Report (devoted to the Ministry of Food), published in May 1940, stated (paragraph 74):

We do not underestimate the objections—social and otherwise—to drastic measures of reorganisation and interference with existing channels, nor should we recommend hasty action in these matters; but what we do feel is that, if this war is to last for the three years anticipated by the Government, it will be necessary to take advantage of every opportunity to avoid waste of effort and money in all parts of the economic mechanism of the country and that eventually the problem is one of those which will have to be squarely faced. . . . We therefore recommend the setting up of a special committee, composed of persons whose findings would carry great weight, to study the present methods and costs of food manufacture, processing, storage, transport and distribution, and to make recommendation as to possible economies.

Unfortunately no effect has been given to this admirable recommendation. But it is clear that measures of reorganisation—provided that they did not amount merely to the rationalisation of the food trades for the advantage of those interests which are most powerful in them—would be beneficial to the consumer now and in the future.

RETAIL

There is no need to go any further than the shopkeeper to see that by reorganisation of distribution food could be cheapened. The field of retail distribution is complex and comparatively unexplored; but evidence exists in the case of particular foodstuffs that the cost of retail distribution in peace-time was heavy and had grown heavier since 1918. As is to be expected, the costs of retailing the more perishable foodstuffs was greater than that of retailing the less perishable. Thus, of the price which the consumer paid, the retailers' costs and profit just before the war

commonly accounted for 25% in the case of fish ; 30% in the case of meat ; probably more than 30% in the case of vegetables and fruit, and nearly 40% in the case of milk. For bread no comparable figure can be given because most of the bread eaten in this country is retailed by the firms—most of them small—who bake it. For groceries the gross retail margin was probably somewhere about 16-20% of the selling price. Such information as there is shows that since delivery expenses and waste through stock going bad account for so large a part of the expenses of retailing perishables the shopkeeper with a large turnover and an assured clientele is at a considerable advantage. War conditions have emphasised the tremendous waste of effort and material involved in the competitive delivery services which retailers maintain in peace, with fleets of small vans and legions of errand boys. The comparatively low cost of retailing groceries again gives a hint that to handle a number of commodities instead of specialising in one may lead to economy in retailing—and this once more is what common sense would suggest.

Rather more information exists about the retailing of milk. It has been calculated by John Cripps in *The Distribution of Milk* that by a reorganisation of distribution the retail price could be reduced by 4d a gallon. This reorganisation of retail distribution of milk alone would save the consumer £10 millions annually.

Free competition does not exist in milk retailing, even in peace-time. When retailers cannot compete by price cutting they compete in the lavishness of the services which they can offer ; and when they are possessed of means of doing so they raise the minimum retail prices to cover the cost of these additional—and really unnecessary—services. It is some such process as this—most easily discerned in the case of milk—and, it may be added, bread—that has been taking place in the retailing of many foodstuffs. Extra delivery services and expensive advertising schemes are paid for by the consumers as a whole.

The most satisfactory way to reduce the cost of retail distribution seems to be by an extension of the cooperative method. The Cooperative Movement itself distributes a very high percentage of the food supplies of the country and it combines large scale trading with democratic control. The multiple shops keep costs low by large turnover and good organisation, but they yield up in profit to their shareholders what the coops return in dividends to their members. The problem is the shopkeeper whose scale of trading is small and costs accordingly high. Here however a beginning has been made in the pooling of deliveries under the Ministry of War Transport scheme. Some formation of syndicates

to gain for small retailers who belong to them some of the advantages and economies of large scale trading seems to be the most hopeful line on which to work. This would involve many practical difficulties but might serve as an interim policy. The whole subject needs more study—for the small shopkeepers are a class in whom governments and parties seem to show singularly little interest.

PROCESSING AND WHOLESALING

The most powerful and profitable concerns in the food trades, however, are not found at the retail stage. In the case of several basic foods either one large firm or one group has obtained a practical monopoly of the processing or wholesaling. Such firms as Tate and Lyle (85% of the sugar refining of the country), Marsh and Baxters (perhaps some 40% of the home-cured bacon supply in peace), the small group of firms which practically monopolised the import of meat from the Argentine, the large milling firms closely linked in that strange organisation the Millers' Mutual Assurance (whose members milled 80% of the flour used) the handful of firms who had the lion's share of tea blending and distributing, all grew in authority between the two wars. So did the gigantic Unilever combine with its three hundred subsidiaries, including almost all the private (i.e. as distinct from cooperative) concerns engaged in margarine manufacture. In many cases government control schemes have strengthened the position of these would-be monopolists.

Concerns so wealthy and so strategically placed as these importers and processors are in a position of great strength as against the comparatively unorganised producers and the small shopkeepers who are the agents for passing so much of the food to the consumer. The fact that the cooperative movement operates food processing and manufacturing plants prevents their power from being absolute. It is hard to get details of the profits of some of these food combines; but before the war Tate and Lyle showed a trading profit of about £1,250,000 a year; the profit on the meat trade with the Argentine must have been in the neighbourhood of £2,500,000 a year, and other firms engaging in the food trade in this way secured equally substantial benefits for their shareholders.

It is at the processing stage that full public control should be extended to the major foodstuffs. Sugar refining, flour-milling, bacon curing, margarine manufacture and similar activities should be carried on in factories taken under complete State control.

In the case of other foodstuffs—eggs, fish, vegetables, home killed meat and home grown fruit—no firms came near to having

a monopoly of their handling, but there was an excessive gap between the price the producer received and that which the consumer paid. Distributive costs of fish, for example, before the war accounted for some two-thirds of the retail price. In this case, as with most British agricultural products, the method of primary marketing—or assembling—was less economical than it might have been and on the whole inclined to put the farmer or the fisherman at a disadvantage compared with the dealer who bought his produce. War and its attendant control has modified the practice of primary marketing and given the farmer at any rate rather more certainty about the prices he will get; but after the war there may be a haphazard return to the less orderly system which, whoever benefited from it, was not satisfactory to farmer or consumer.

The precise method of marketing might vary with the commodity; but what appears to be most needed is an extension of the cooperative principle (if need be under government auspices). Such cooperation could reduce transport and marketing costs and decrease fluctuations and uncertainties in the prices which the farmers receive. And this extension of cooperation might have to be supplemented by some government agency, operating in—or perhaps replacing—the present central wholesale markets.

CONTROL OF IMPORTS

The problem of imports is bound to arise sharply in any attempt to agree a scheme of marketing reform with the farmers. Most of the commodities which British agriculture produces are in peace-time in direct or indirect competition with imported foodstuffs; and much propaganda in the past has been directed to urging the farmer that his salvation lies in high tariffs. Between 1932 and 1939 an elaborate system of regulation by tariff and quota was applied to food imports; while in war imports of food pass through the hands of the Ministry of Food which arranges contracts with the producing countries overseas and then transmits the goods to the consumer through the normal trade channels. Obviously when the amount of shipping space that can be devoted to foodstuffs is limited there must be a central authority which decides how that space can be put to best use. Preference will be given to the food producing country which is nearer and to the form of a product which gives the greatest food value in the smallest space.

It is very desirable that the practice of buying from abroad through a government agency should not lapse. The government's present intention is of course that it should, even if the

pre-war methods were more expensive than the present ones. The Committee on National Expenditure is illuminating on this point (Fourth Report, paragraphs 59-60) :

In certain trades the fact that the Government has become the sole importer of a particular commodity has rendered superfluous, or at least reduced the importance of the functions performed in normal times by certain classes of traders. A particularly clear illustration of this is in the grain trade with its elaborate peace-time machinery of the futures market, option dealing, etc.

The Ministry states that it has in all cases done its best to make use of the services of traders whose functions have disappeared or been modified in the manner stated above. Thus, in the case of the grain trade, some of the professional personnel has been absorbed under the Cereals Control Board, others are employed in the Port Area Grain Committees and others again are left to perform modified functions of handling and distributing grain. Nevertheless the total value of all these forms of employment remains something which may be considerably less than the normal earning power of the grain trade as a whole in conditions of peace. Claims have been put forward that, as the Government still continues to employ their services, their remuneration should be fixed so as to give the trade as a whole a total sum equivalent to the total normal pre-war earnings ; and this claim has been supported by the argument that it is in the public interest that the complex mechanism of the grain trade, which is a necessary feature of the country's peace economy, should be kept in being and in good order . . . [These claims have been rejected.]

The Labour Party has for years urged import boards as a means of controlling supplies from overseas ; and now that the buying of so much of the country's imported food is done by the government the system should not be dropped.

The Ministry of Food should be retained. Its main duties would be to direct the State processing industries, to purchase food from abroad (in relation to what British farming could produce and to the total amount needed to give an optimum diet to the whole population), to organise and develop communal feeding still further and probably to exercise a very general supervision over a reformed retail distributive system. Some such policy as this would solve the Labour movement's dilemma.

START REORGANISATION NOW !

Reorganisation ought to begin now ; for although on the surface of things the food trades are being preserved by the Ministry's controls so that at the end of the war the structure of the trades will be the same as at the beginning, in fact war conditions in themselves are bringing swift and great changes.

In particular small shopkeepers are being squeezed out of business in various ways. Some are called up; some have too few customers to get supplies; some may have lost their customers by evacuation, and so on. Probably at other stages of distribution small establishments are similarly being forced out of business. If the need for economy in petrol and man-power grows greater still, more changes will come about in the food trades which are likely to leave a permanent mark just as the coordination of the work of food firms under the Ministry of Food in the last war left its permanent mark on the food trades in the appearance of the food trusts.

Indeed there is a widespread suspicion that through the machinery of the present Ministry of Food these trusts have been able to take measures which will not so much yield them unduly large profits at present as ensure them even completer dominance when decontrol comes. Sir E. Graham Little, in a letter to *The Times* on the bread position, wrote :

A Parliamentary answer to me demonstrates that representatives of the milling industry enjoy a dominant position in the constitution of the 'cereals division'. . . . Questions in Parliament have shown that there is a widely entertained impression that the millers, through their occupation of key posts in the central administration, are using this position to further the interests of the milling industry. The impartial Parliamentary enquiry for which I am asking would, I believe, be the best means of restoring public confidence . . . (*Times*, 15 January 1942.)

A Ministry of Food which possesses the full confidence of the people needs to be constituted now and to be set working on the basis of a long term plan providing for the permanent control of the food industries and overhaul of the distributive machinery along the lines which have already been suggested. In this way economy of money and man power could be effected now (with less injustice than if that economy is effected by the expedient of letting the weaker and less efficient firms and shops be eliminated by competition under war conditions) and a foundation would be laid for ensuring that after the war cheap food was available in ample quantities for the industrial population while the agricultural worker at home and the food producers overseas were alike assured of a decent livelihood.

AGRICULTURE IN THE POST-WAR EUROPEAN SETTLEMENT

Margaret Digby

Secretary of the Horace Plunkett Foundation

The problem of rebuilding after the war a prosperous European economy which will harmonise with the economy of Great Britain and the countries overseas, is in no small measure an agricultural problem. This is apparent from the proportion of the population dependent on agriculture—ranging from one-third in north-western to four-fifths in eastern Europe—and from the degree to which, in most European countries, natural resources and export trade are agricultural in character. This is sometimes insufficiently realised, since Britain is preoccupied with industrial problems and the misleading impression remains, that European agriculture is peasant agriculture, and that the peasant can always subsist somehow and so, may be left to the last when considering urgent economic and social problems.

Developments in transport and cold storage and the technical revolution in agriculture itself, which has proceeded with great rapidity during the last twenty years, have combined to throw the peasant on to the world market. His fortunes can no longer be considered apart from those of the industrial workers of his own country and of the agriculturists and industrialists of others. It is not morally tolerable that masses of country people, whether labourers or peasant owners, should live at a permanently lower level than their industrial neighbours. It is economically unsound since they can offer only the narrowest market for industrial products, and their lack of purchasing power promotes industrial unemployment. It is politically impossible because, especially in those countries which will have to be rebuilt after the war, political stability and state expenditure for even minimum public and social services, depends upon reasonable agricultural prosperity. This is well realised by the countries concerned and they will struggle to achieve agricultural prosperity often by the least enlightened and most mutually damaging methods, thereby postponing further the political solidarity of Europe.

Nor can the problem be solved on European or Continental lines alone. Such a solution is being attempted by Germany today and can only result in an industrial Germany dominant

politically and economically over a surrounding serf agriculture. If no attempt is made to fit European agriculture into some wider and more liberal order after the war, such a situation will inevitably reproduce itself with all its attendant political evils. Moreover, any policy which results in closing the European market to agricultural produce from other continents not only perpetuates high-cost, low-standard dietary in Europe, but will have far-reaching and generally disastrous effects on the agricultural countries overseas and will make much more difficult any sort of world agreement on economic matters. The position of Great Britain as the largest importer of agricultural produce makes her in some measure a natural arbiter between overseas and European agricultural interests and gives her not only the distinctive and often neglected point of view of the consumer, but also an unique power to hold the balance fairly.

AGRICULTURE AND POST-WAR RECONSTRUCTION

The end of the war will see European agriculture unnaturally stimulated in some directions, partly wrecked by actual hostilities and other casualties of war and all geared to a political end—the support of the German war machine—which will have become meaningless. But the mere cessation of hostilities, coupled with immediate relief measures and the gradual return of political order and security, will not solve the problem of agricultural poverty since, as the outline that follows is intended to show, it was rooted in the cumulative maladjustments of the past. Overseas, the end of the war will see the release of the dammed up surpluses of agricultural produce which the blockade and the dearth of shipping have left to weigh upon the producers and depress the economy of their countries. But this again will be no full solution, for not all the surpluses are accidents of war. The most serious—wheat, maize and cotton—have been piling up for years, and wheat has been the subject of much abortive international negotiation. Sugar is only not an alarming surplus because production has been clamped down by the International Sugar Agreement of 1937 and kept, not unsuccessfully, within artificial limits.

It has already been announced, by the Prime Minister and others, that the relief of liberated Europe will be the responsibility of the Allies and that the surpluses of the New World will be available for that purpose. Plans are already being drawn up and organisation prepared. But past experience has shown that, especially in agriculture, relief quickly merges with reconstruction: the speed of the change being in some degree commensurate with the vitality of the community to be relieved. With reconstruction comes the question of the type of agriculture to be built up. Shall

it be a replica of the pre-war system of the region? A continuation of the German-centred war-time regime? Or something new? And while relief and reconstruction are proceeding the political resettlement of Europe will be in the hands of Treaty-makers and provisional governments. The economic problems of the peace settlement, particularly those relating to the movements of goods and persons and to finance and currency, may affect acutely the people of Great Britain and the Overseas Dominions and Colonies. They may not affect them in the same way, nor may their long term be the same as their immediate effects. If a reasonable international settlement is to have the backing of the people of Great Britain, if they are to be prepared to see an immediate interest placed after the interest of long term prosperity in Europe, some understanding of the European agricultural problem is desirable.

PRE-WAR CONDITIONS

In *Eastern Europe* agriculture was predominant both in national economy and as a way of life. The population was greater than agriculture could support at any decent standard of living and was rapidly increasing; apart from some seasonal movement (such as the migration of Polish harvest labourers to Eastern Germany) there was little possibility of emigration owing to the restrictive policy of the overseas countries. In general, methods of production were primitive and uneconomic, partly owing to lack of technical and scientific knowledge, partly owing to the small scale of holdings and the lack of capital which made such knowledge impossible to apply. Solutions were sought, not as a rule very effectively, in (a) intensification, that is, generally, the growing of valuable crops (tobacco, fruit) requiring a high expenditure of labour per acre; (b) the development of industry in countries hitherto agricultural; (c) promotion of agricultural exports. The last two tended partly to conflict as industrialisation looked towards autarchy and export towards freer trade. Parallel with these local efforts went the German attempt at economic and political hegemony which did, up to a point, provide an easy but unsatisfactory solution on the lines of increased export, but discouraged industrialisation and sometimes also agricultural intensification.

In *Western Europe*, Holland and Denmark had with great skill and intelligence achieved the intensive-production-with-export ideal but, since the depression of the early thirties, have found it increasingly threatened by the other western Continental countries (especially Germany) which were aiming at self-sufficiency and the social and political cossetting of the peasant. The main motive in Germany was undoubtedly preparation for war, but in Germany

and still more in France there was also the feverish reaction to an actual decline in rural population, and the sociological-sentimental belief in the peasant as the source of national vitality and stability. The result was uneconomic, high-cost production at home, with high prices and, even in peacetime, reduced supplies of essential foodstuffs, while in the overseas countries surpluses accumulated. Meantime, Great Britain was making tentative approaches to increased home food production and a subsidised agriculture, but was held back by the economic limit to much greater agricultural self-sufficiency and the policy of developing trade with the overseas Dominions. The reaction which Britain's limited restriction of agricultural imports had on European countries was given secondary consideration, though in the case of Denmark and Holland it was considerable.

Outside Europe, *Russia* and the *USA* were roughly self-sufficient, with an actual or possible balance of industry and agriculture. Certain agricultural surpluses existed and were potentially dangerous to other countries, but were not sufficient to wreck national economy if unsold.

Tropical countries could show some devastating agricultural surpluses (coffee, cocoa, etc.), but, except possibly in oilseeds, they were not such as competed directly with European agriculture. The difficulty was rather that war preparations, the pursuit of autarchy and the low standard of life in Europe did not make possible semi-luxury purchases. The tropics in turn were suffering from lack of industrial consumer goods. The whole situation was obviously irrational, but is somewhat loosely related to the main problem discussed in this study.

In the overseas temperate countries, the *British Dominions* and some of the *South American countries*, the problem was one of huge cereal surpluses very economically produced and in direct competition with European agriculture, inevitably with that of eastern, artificially with that of western Europe. The internal problem of these countries was not unlike that of Eastern Europe, except that there was no actual population surplus, only the fear of it (that is of immigrants) which would drag down the existing standard of living. Some advance towards industrialisation and intensification was taking place, especially in Canada and Australia, but it was slow, and intensification of agriculture was only too likely to produce an alternative competition in meat and dairy produce.

EFFECTS OF WAR

In spite of German pressure and the natural anxiety of every blockaded country to produce to the utmost, the War will almost

certainly bring a lowering of agricultural productivity due to lack of fertilisers, feed, seeds, manpower, horse power, fuel, lubricants and spare parts, also to actual war devastation and the passive resistance or sabotage of the conquered. At the same time there has been an acceleration of the grouping of agricultural Europe round industrial Germany, the satellite regions now including the West and North as well as the East. Industrial development in agricultural countries will have been set back if only for lack of raw materials. Concurrently with this will go a reduction of intensive agriculture wherever this meant animal husbandry or semi-luxuries, and an increase of what may be called rye-potato subsistence economy in the North and West and of cereal and oilseed production for export in the East. This will probably be resisted, how successfully no one knows. The most serious dislocation will probably be the decline of the dairy-poultry economy of the north-west. On a much smaller scale the flower industry of Holland is an obvious casualty.

The general picture when the war ends will be of European agriculture adjusted to European subsistence on siege rations and doing the job well below maximum efficiency. Moreover, the collapse of German hegemony will bring down much of the agricultural structure which has found a precarious stability in attachment to it. Even if Germany were still able to pay for agricultural imports as provided in her war plan, it is doubtful whether the liberated countries would be willing to supply them.

A POLICY FOR EUROPE

In the most general terms the object is to set going a type of agriculture which will enable the largest number of people, agriculturists and others, to enjoy the best attainable standard of living. Secondly, if 'sub-optimum' groups remain (as they will) to see that they are so disposed as to cause the least social suffering and political friction. These should not be large clots of poverty in one nation or one class, and it should be reasonably easy for the enterprising to leave the less rewarded groups and callings. It is fundamental and reassuring that there is not a true surplus of agricultural (perhaps not of any) produce, only of certain produce, in certain places, at certain prices. The problem is therefore one of adjustment, and the broad lines of that adjustment are fairly obvious.

1 Better Nutrition

This means in a general way the 'protective foods', including livestock, instead of bulk cereals. It makes not only for better health but also for better farming since no peasant on a limited acreage can make a living out of cereals alone. To carry out such

a change means (a) adjustments in price policy and (b) subsidised investment in modern equipment, dairies, farm buildings and improved livestock.

2 Better Farming

This links with nutrition, but extends beyond it. It means the use of available resources, including labour resources, to produce as efficiently and economically as possible goods for which a real need exists. It rules out uneconomic production behind the shelter of a high tariff, with all the other measures designed to hold a large population on the land regardless of whether it can earn its keep at any reasonable level.

3 Wider Markets

A brisk demand for produce, especially protective foods, means (a) reducing urban unemployment, with its low standard of food consumption, and in general raising the standard of living for urban workers ; and (b) free access to consuming populations and free acceptance of industrial products in return, involving a mutual lowering of tariff and other barriers.

4 Planned Trade

A rigid price control would be dangerous and invite an even more dangerous breakdown, but some stability is needed. The efficient development of agriculture and sound standards of peasant living are almost impossible to secure if prices cannot be stabilised for at least a year ahead. Involved with the question of price but extending beyond it, is that of a more integrated system of marketing. This may come through state control or state trading, but past experience suggests that a large measure of producer and consumer, which in practice means cooperative, control is the most hopeful means of securing efficiency, equity and flexibility.

5 Relief of Population Pressure

This becomes important where the number of agriculturists is genuinely out of proportion to the productivity of available land. The desirable ratio varies infinitely with climate, soil, available capital, markets and other factors and can only be determined roughly. The transfer may take place either to industry, which a full employment policy should make possible in most European countries and which would not involve physical removal of population, or to undeveloped areas or countries.

At this point a warning sounded in the introductory paragraphs

may be re-emphasized. The self-sufficient peasant is an attractive will-o'-the-wisp, but he cannot compete in standards of wellbeing with the producer for the market, nor with the industrial worker. If he is forced to do so he will become a depressing and disintegrating factor in the commonwealth.

THE DIFFICULTIES

The pursuit of even the first stages of these five lines of adjustment is anything but easy. Certain general and political factors affect the whole problem :

1 Long and Short-term Reconstruction : the Relief Period

When the war ends the first objective will be to feed the starving, the second to get agricultural (as well as essential industrial) production going. The politics and mechanics of the business will be sufficiently formidable, but it is to be hoped that hurry and confusion will not mean that production is restarted haphazard, but rather that a foundation is laid for the sort of agricultural and, indeed, general economy which can usefully persist and contribute to the general welfare, whether it is a reproduction of pre-war conditions (as in Denmark) or something new. For this not only previous consultation with allied governments will be desirable, but, once the barriers of enemy occupation are broken, constant contact with responsible agricultural organisations in the country to be relieved. It might, for example, be better to feed a population for some time from overseas while a long term agricultural policy was matured, rather than aim at rapid self-support at a low level. On the other hand, overseas surpluses may come to an abrupt end even before local production is in full working order. In any case it is important that the farmers' own normal marketing organs should begin to function as soon as possible, thus making possible a quick transition from charity to self-support. A peculiar difficulty of this period, with agricultural as well as other aspects, may be unwanted shifts of population, the flight of refugees, the expulsion of undesirable or undesired minorities.

2 Nationalism

In Europe nationalism and the fear of war are likely to persist and perhaps be intensified. The craving for self-sufficiency and for a population of peasant soldiers will continue. Even apart from this, the belief in the biological and political value of the peasant to the State is deep-rooted.

3 The Fear of Change

The peasant himself is often politically powerful even when economically weak. He is often shortsighted and will struggle to perpetuate an agricultural system which keeps him alive and requires no mental effort rather than risk a change which will make him prosperous. All change, moreover, is costly, and capital is hard to get. It is true that though the peasant is conservative, he is often more mobile than the townsman. It is the overseas countries which object to immigrants for some good and several bad reasons, which may be overcome, but will not be overcome without difficulty. As a result of all these factors, change will be resisted by those who are meant to benefit by it, the freer movement of goods and persons will be opposed, and a large, probably an excessive, population must continue to support itself by agriculture in Europe for some time to come. That it must be kept alive and reasonably comfortable while the change is being brought about means an interim as well as a long-term policy for agriculture.

4 British and Overseas Interests

Great Britain, acting through the British Government, is likely to have an important voice in European resettlement. British agriculture, though economically less important than industry as a whole, is politically powerful, and has no tradition of agricultural policy agreed with other countries where agricultural interests are strong. It would, if it were practicable, close the greatest free food market in the world to overseas and European agriculturists alike. Further, British industry, no more than German industry, desires to see competing industries develop in once-agricultural countries. In so far as British industry still desires the free import of food from the Dominions and is committed to such imports, this helps the overseas agriculturists, but if home agriculture is insistent, such tolerance may not extend to the food exports of Europe, while a reconstruction loan to finance complementary industry in the agricultural countries of Europe might find little favour in the City. The overseas temperate countries are the most efficient producers of cereals and certain other products and, in the interests of sound economy and nutrition, they should not be discouraged. It is not politically possible that they should be ruined. Any attempt to force them into autarchy on their own account would react upon the industrial exporting countries of Europe, principally Great Britain. The beginnings of this process are already apparent and may be accelerated by war production. They need not be disastrously accelerated.

(To be concluded)

NOTES ON BOOKS

International

STRUGGLE FOR THE SPANISH SOUL by Arturo Barea (Searchlight Books 2/-)

A valuable analysis of the forces at work in Franco's Spain. Barea looks at his country without rose-coloured spectacles, and the picture he draws is a grim one. The discouraged and persecuted democratic forces in Spain clearly cannot be expected to assist our cause unless they come to identify it with their own liberation; our loan to Franco's pro-Axis regime did nothing to wipe out the shameful memory of 'non-intervention'. The book occasionally lapses into over-dramatisation, but is well worth reading. A. N.

THE LOST PEACE by Harold Butler (Faber & Faber 10/6)

A pleasantly-written autobiography, whose contents are solidier than its opening would suggest. There are chapters on Geneva, France, Germany, and Austria, on the new States created by the Peace Treaties, and on the events which led up to war; and a final section making suggestions for the reorganisation of the 'civilised' world under Anglo-American leadership. The chief weakness of a sensible book is the very scant reference to the U S S R and the inadequate treatment of economic questions. M. I. C.

MEN AND POLITICS by Louis Fischer (Cape 18/-)

This book is disappointing. In the first place, it is far too long; a writer would have to be of quite supreme quality to make 628 pages of his reminiscences interesting, and Fischer is not. Secondly, for long tracts it is both egotistical and chatty; if some candid friend had firmly blue-pencilled references to meals the author has eaten, persons he has met, and reflections which have passed through his mind, it would have been much shorter and more valuable. Thirdly, and most serious, it is uncritical, particularly as regards the U S S R. Up till 1937, that country was all of the most desirable; since then Fischer has changed his views, and there is hardly anything too bad for him to say—particularly of Stalin, abuse of whom runs right through the book. The result is not to create confidence in his judgment. M. I. C.

WAR INTO EUROPE by Hugh Slater (Gollancz 5/-)

This lively book is by the former Chief of Operations of the International Brigade Staff. Written before the invasion of Russia, it argues that Britain must take the offensive in Europe by use of air-borne troops, but that for the success of such a manœuvre the U S S R must be allied with Britain and the two together must have a strong Fifth Column in the occupied countries. The book covers a number of subsidiary topics and is particularly good on the training of a modern army and the raising of the democratic Fifth Column. J. S.

I PAID HITLER by Fritz Thyssen (Hodder & Stoughton 8/6)

The half-revised reminiscences of the big industrialist who financed Hitler's road to power, who broke in disillusionment with the Nazis, and who is now either dead or in a concentration camp. Not very much that is new in the way of facts, but a remarkably plain illustration of the effectiveness of Hitler in promising to every group and type its own particular kind of moon. *Ein Dummkopf war ich!* cries Thyssen; one wonders how many more will echo that cry, and how soon. M. I. C.

SURVEY OF INTERNATIONAL AFFAIRS—1938 (Vol. I) by A. J.

Toynbee and V. M. Boulter (OUP 28/-)

The excellent introductory section on economic trends (Professor Allan Fisher) is unrelated directly to subsequent chapters dealing with Anglo-Italian relations, the Spanish war (Katherine Duff), the Austrian Annexation, or the Far and Near East. Diplomatic moves which produced the Non-Intervention Committee, or Mr. Eden's resignation recounted in detail, are cut away from any socio-economic background and prevent, therefore, the general reader from viewing the international scene clearly and viewing it whole.

B. V

FEDERALISM AND FREEDOM by Sir George Young

It is an achievement to have written a book on peace aims prior to the entry into the war of Russia and the USA which has not been put entirely out of date. The arguments in this book, in particular its emphasis on the importance of an early agreement between Great Britain, Russia and the USA on a plan for the reconstruction of Europe, have only been given added weight by subsequent events.

J. N. V.

USSR

SOVIET ASIA by E. S. Bates (Cape 8/6)

A discriminating criticism by a non-Socialist of the available evidence which brings out the constructive achievements of the last twenty years far better than the usual adulatory propaganda. An interesting comparison is made—very much to the Soviet Union's advantage—with development in the same period in Arctic North America. It is a pity the material is not better arranged and that the relations of the Russians to the other peoples of Soviet Asia are not more fully discussed.

J. P

SOVIET ECONOMY AND THE WAR by Maurice Dobb (Routledge 3/-)

A clear picture of the social and economic development of pre-revolutionary Russia and of the USSR. It compares the war production of Germany and USSR and comes to the conclusion that the USSR cannot maintain more than two-thirds of Germany's war expenditure and needs assistance on a gigantic scale.

In the last three chapters Dobb describes the USSR's system of collective farms, trade unions and planning. Those chapters are influenced considerably by Dobb's political sympathies, but the book in general makes an interesting and valuable contribution to popular knowledge of the USSR.

N. B.

RUSSIA IN FLUX by Sir John Maynard (Gollancz 7/6)

Nineteenth century Russia and after, up to the March Revolution of 1917. Maynard concentrates on two points—the peasants and the intellectuals. His diagnosis of Russian thought during this period is brilliant, and makes one realise how essential is a sympathetic approach to mystical belief if one is to understand the Russian people and their history. He neither condemns nor condones. He is the complete impartial historian of the old liberal school.

J. A.

UKRAINE AND ITS PEOPLE by Hugh P. Vowles (Chambers 2/6)

Tries to give the historical background of the development of the Ukraine and its people. Clear and lucid in description, but weak when dealing with theoretical questions, such as national minorities. Covers the lack of independent judgment with long quotations from standard books. Its descriptive part may be recommended for beginners.

N. B.

General

IS INNOCENCE ENOUGH ? by D. W. Brogan (Hamilton 7/6)

A spirited survey of some of the problems which faced and are facing progressive thinkers, suggesting reasons for our frequently appalling wrong-headedness in political matters. Like the law, the author will not allow us to plead ignorance as an excuse: our only hope for the future lies in securing and applying in a realistic spirit all knowledge available to us. As a stimulus to the acquisition of such knowledge, the book is provocative and honest enough to have great success.

A. N.

ABOVE ALL LIBERTIES by Alec Craig (Allen & Unwin 7/6)

Alec Craig again calls attention to the menace the obscenity laws are to important scientific and literary books. His book is a documented analysis of the working of these laws here and in France and the U.S.A. British socialists tend to overlook the importance of sexual reform. Many accept the ideas current in 1850 on this subject, yet freedom is valued by them now more than it has been for some years. Alec Craig's plea for freedom of expression of opinion in books which touch on or concern sex is important. It should be read by all who value liberty.

R. S. W. P.

THE STRATEGY OF INDIRECT APPROACH by B. H. Liddell Hart (Faber 12/6)

A survey of the major strategic developments by the protagonist of the 'offensive defensive'. This book is historiography in a great liberal style. It has a subject and a mission, but doesn't neglect facts. It tries to prove the superiority of the strategy of indirect approach over that of direct approach, that of the offensive defensive over the passive defensive and the direct offensive. Occasionally, the author seems to cut out the fullness of reality as it has been and as it is in a historic sense, in order to create the impression which he wants, e.g. the case of Clausewitz. But this is not necessary, because not only the thesis but the style of the book is impressive.

W. W. S.

THE MAN IN THE CAP (The Life of Herbert Smith) by Jack Lawson (Methuen 12/6)

Should be read by middle class Socialists if they want to understand the solid basis of the Labour Movement in Yorkshire.

J. P.

POLICE PRINCIPLES AND THE PROBLEM OF WAR by Charles Reith (OUP 7/6)

The author draws a suggestive parallel between the national anarchy in the late eighteenth and early nineteenth centuries and the existing international anarchy. The former, he claims, was cured by the establishment of the Police Force; the latter can only be dealt with in the same way. But it must be a real Police Force, acting on Police principles. 'The failure of the military arm to enforce the law was the reason why the police were created.' The case of the Black and Tans is effectively used. Mr Reith has a regrettable tendency to regard all Radicals as knaves and ready to use gangsters to gain their ends; but his central theme is important.

WORRY IN WOMEN by Amber Blanco-White (Gollancz)

Feminine readers must ignore a title with implications that neurotic tendencies are peculiar to their sex and read this helpful book, the result of twelve years' experience of teaching psychology to adults.

It is written in non-technical language, designed to assist the general reader to cope with present-day problems. Relevant portions of the doctrines of Freud and others are simply presented with countless illustrations from everyday conversation.

Those of the male sex who read the book should receive the unspoken gratitude of lovers and wives.

R. S.

